STATE FARM FEDERAL credit union

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

On behalf of the State Farm Federal Credit Union (SFFCU), I am writing regarding the National Credit Union Administration's (NCUA) proposal to close the *Temporary Corporate Credit Union Stabilization Fund* (Stabilization Fund) and raise the *National Credit Union Share Insurance Fund's* (SIF) normal operating level (NOL) to 1.39 percent.

Although I am supportive of NCUA providing credit unions rebates as soon as prudently possible, I am concerned with NCUA's approach to this issue. Specifically, substantially increasing the NOL will divert millions of dollars that rightfully should be returned to the industry.

At the time of the Corporate Credit Union crisis, SFFCU had recently merged twelve separate, federally chartered State Farm Credit Unions into one consolidated credit union. As a result, we had memberships in nine Corporates and although we were in the process of closing these memberships, due to the lengthy time requirement for termination of membership, we incurred significant losses. Our total CCU Stabilization-OTTI losses and associated Corporate Credit Union Stabilization Fund assessments amounted to over $21.5 million.

My understanding is that NCUA estimates that closing the *Stabilization Fund* and transferring its assets to the SIF would increase the equity ratio to approximately 1.45 – 1.47 percent. At the current NOL of 1.30 percent, that would mean that 15-17 basis points, or $1.5-1.7 billion should be returned to credit unions. However, this proposal would reduce that amount by more than half, and only give credit unions $600-800 million. Not only because of the losses our credit union incurred but also because all credit unions have already paid for the financial crisis, I feel a partial rebate is not acceptable.

Additionally, the transfer of assets from the *Stabilization Fund* to the SIF would likely offset the additional liabilities of the *NCUA Guaranteed Notes* (NGN), thereby negating the need to increase the NOL by 9 basis points proposed by NCUA.

And finally, regarding the increase in NOL, there is no guarantee that the NCUA Board will return it to a normal level. In the current proposal, there is no provision for unwinding the increase in NOL. I believe it is set at the sole discretion of the NCUA Board. Even after the NGN program has ended in 2021, credit unions would have no assurance that the NCUA Board would return it to 1.30 percent at that time. Consequently, the industry continues to pay!

Thank you very much for the opportunity to comment on this proposal. While I appreciate the agency's dedication to return funds to credit unions, I believe a full rebate is critical to a *Stabilization Fund* disposition strategy. If I can be a source of any further information on this comment letter, please do not hesitate to contact me at tom.dewitt.cxui@statefarm.com or by phone at 309-766-6186.

Sincerely,

Thomas W. DeWitt
President/CEO
State Farm Federal Credit Union
One State Farm Plaza
Bloomington, IL 61710